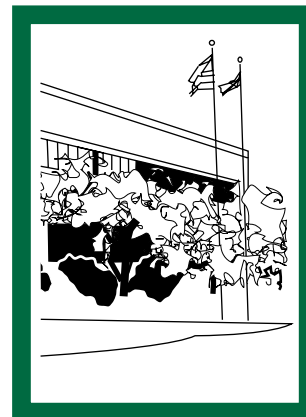
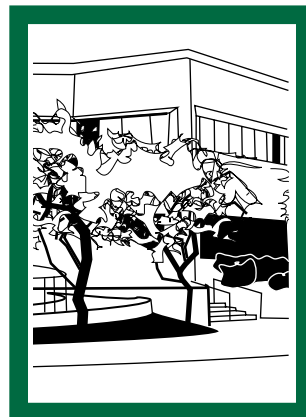
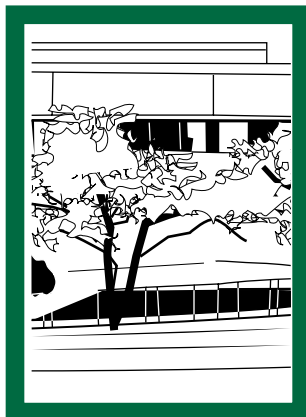
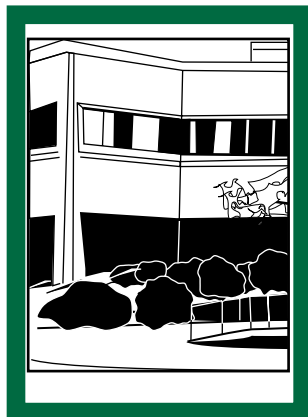


Teachers' Retirement System of the State of Illinois



Essential Facts About TRS

Public Information Summary

February 2005



Retirement Security for Illinois Educators

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Notice

This is a brief summary about the Teachers' Retirement System. More detailed information is available in the TRS *Member Guide* and the *Comprehensive Annual Financial Report*. Every effort has been made to provide accurate information in this publication as of the date of printing. It is the policy of TRS to comply with all applicable federal and state laws, rules, and regulations. If the information contained in this publication conflicts with any applicable law, rule or regulation, the applicable law, rule, or regulation prevails.

This publication is intended to comply with the requirements imposed by the Illinois Freedom of Information Act, 5 ILCS 140/4.

General Information

Purpose

The General Assembly created the Teachers' Retirement System of the State of Illinois (TRS) in 1939. TRS administers a multiple-employer public pension plan. TRS provides its members with retirement, disability, and survivor benefits.

Membership

Members of TRS include all full-time, part-time, and substitute Illinois public school personnel employed outside the city of Chicago in positions requiring certification by the Illinois State Board of Education. Persons employed in certain state agencies relating to education are also TRS members.

As of June 30, 2004, there were 157,990 active members and 89,641 inactive members in TRS and 76,905 annuitants and beneficiaries receiving benefits. The average age of an active member was 42. The average age of an annuitant was 69. As of June 30, 2004, the average monthly retirement annuity was \$2,842.

Key Statutory Provisions

The benefits that TRS administers are governmental plans as defined in the Internal Revenue Code of 1986, Section 414(d) and the Employee Retirement Income Security Act of 1974, Section 3(32). The retirement system is administered as a qualified plan under the Internal Revenue Code of 1986, Section 401(a).

TRS benefits are governed by Articles 1, 16, and 20 of the Illinois Pension Code [40 ILCS 5]. TRS's administrative rules are contained in Sections 1650.110 – 1650.2900 of the Illinois Administrative Code [80 Ill. Admin. Code 1650.110 – 1650.2900]. TRS is also subject to other laws, rules, and regulations as an agency of the State of Illinois.

Benefits

Age Retirement Annuity

A member is eligible to receive a monthly retirement annuity when he or she terminates active service covered by TRS and meets the following age and service requirements:

- age 62 with 5 years of service, or
- age 60 with 10 years of service, or
- age 55 with 20 years of service (discounted annuity), or
- age 55 with 35 years of service.*

* If the member is eligible to receive a retirement benefit of at least 74.6 percent of the final average salary and will reach age 55 between July 1 and December 31, he or she will be considered to have attained age 55 on the preceding June 1.

The retirement benefit is calculated by applying a statutory formula based on average salary and years of service. The salary used in the calculation is the average of the creditable earnings in the highest four consecutive years within the last 10 years of creditable service. For service earned before July 1998, this average salary is then multiplied by the applicable percentage according to the following formula:

- 1.67% for each of years 1 through 10, plus
- 1.90% for each of years 11 through 20, plus
- 2.10% for each of years 21 through 30, plus
- 2.30% for each of year over 30.

For post-June 1998 service, the average salary is multiplied by 2.2 percent for each year of service.

2.2 Upgrade

The member may upgrade all pre-July 1998 service to the 2.2 percent rate by making an additional contribution. The contribution is equal to 1 percent times the highest salary rate in the four consecutive school years immediately prior to, but not including, the school year in which the member applied for the upgrade, times the number of years of creditable service earned prior to July 1, 1998, or 20, whichever is less. However, if the member does not upgrade and has 24 or more years of service prior to July 1, 1998, the average salary is multiplied by 2.2 percent for each year up to 30 years of service and 2.3 percent for each year over 30 years.

Maximum Benefit

The member's age retirement annuity will not be more than 75 percent of the final average salary used in the calculation. However, if the sum of the retirement contributions made to TRS by the member with an additional assumed employer contribution plus the application of statutory interest would provide a greater monthly benefit, the greater benefit will be paid.

Early Retirement Option

The Early Retirement Option (ERO) allows members to eliminate the actuarial reduction that applies if the member wishes to retire between ages 55 and 60 and has between 20 and 35 years of service credit. Retiring under the ERO requires contributions by both the member and the employer, unless the member has 34 years of service. Under the law in effect when this summary was prepared, the ERO expires on June 30, 2005.

Post-retirement Increases

Annuitants annually receive 3 percent increases in their annuities. The first annuity increase occurs on January 1 following the first anniversary in retirement or the attainment of age 61, whichever is later. The first increase includes 3 percent for each year the member has been in retirement.

Disability Benefits

TRS offers occupational and nonoccupational temporary disability benefits to eligible members. TRS also offers a disability retirement annuity to eligible members.

A member, regardless of length of service, is eligible for an occupational disability benefit if the disability is the direct result of an injury that occurred while performing duties during TRS-covered employment. The benefit is equal to 60 percent of the annual salary minus any amount received from workers' compensation.

A member with three years of creditable service is eligible for a nonoccupational disability benefit if the member becomes disabled while in active service or within 90 days of employment and is not receiving regular pay or sick leave pay. Part-time and substitute teachers must have worked at least 340 hours during the current or preceding school year to qualify. The benefit is equal to 40 percent of the annual salary.

When nonoccupational disability benefits expire, a member may be eligible for a disability retirement annuity or, if eligible based on years of service and age, an age retirement annuity. The disability retirement annuity is equal to 35 percent of the salary used in calculating disability benefits or the amount computed by the age retirement annuity formula, whichever is larger.

Death Benefits

The designated beneficiaries of a member or an eligible annuitant will receive a survivor benefit upon the death of the member or annuitant. A lump-sum benefit is payable to nondependent beneficiaries. If all of the named beneficiaries are dependent beneficiaries, they may elect to receive a lump-sum benefit or a monthly benefit. A dependent beneficiary is a current spouse; an unmarried child who is a minor or full-time student between ages 18 and 22; an unmarried child of any age who is dependent by reason of a physical or mental disability and who is not receiving benefits under the Illinois Public Aid Code, Article III; or a dependent parent.

Benefit Forfeiture Due to Felony Conviction

Under state law, a TRS member or annuitant convicted of a felony in connection with his or her TRS-covered service forfeits all TRS benefits. A refund of member contributions (except contributions for survivor benefits) to the time of the forfeiture may be obtained by filing a request for refund. (See “Refunds.”)

Reciprocity

TRS is one of 13 Illinois public pension systems covered by the Illinois Retirement Systems Reciprocal Act [40 ILCS 5/20]. The Reciprocal Act allows one or more years of service credit earned through any reciprocal retirement system to be counted toward retirement. Each system pays a portion of the retirement benefits. The member generally receives a higher total retirement benefit by retiring under the Reciprocal Act than by retiring independently through each system. The reciprocal systems are:

- Teachers’ Retirement System of the State of Illinois
- County Employees’ Annuity and Benefit Fund of Cook County

- Forest Preserve District Employees’ Annuity and Benefit Fund of Cook County
- General Assembly Retirement System
- Illinois Municipal Retirement Fund
- Judges’ Retirement System
- Laborers’ Annuity and Benefit Fund
- Municipal Employees’ Annuity and Benefit Fund of Chicago
- Park Employees’ Annuity and Benefit Fund of Chicago
- Public School Teachers’ Pension and Retirement Fund of Chicago
- Metropolitan Water Reclamation District Retirement Fund
- State Employees’ Retirement System of Illinois
- State Universities Retirement System

Benefit Payments

The following table shows average TRS monthly benefits and the number of individuals receiving TRS benefits as of June 30, 2004. TRS currently disburses about \$210 million each month in benefit payments.

Type of Benefit	Average Monthly Benefit	Number of Recipients
Retirement Annuity	\$2,842	67,950
Disability Benefits	\$1,632	1,017
Survivor Benefits	\$998	7,938

Social Security and Medicare

TRS members do not contribute to Social Security on earnings from TRS-covered employment. Active members who began employment or changed employers after March 31, 1986 contribute 1.45 percent of salary to Medicare. During an election in spring 2004, eligible TRS members not currently contributing to Medicare received a one-time opportunity to begin contributing to Medicare with salary earned on or after July 1, 2004.

Some Social Security benefits may be reduced or eliminated due to receipt of TRS benefits, but TRS benefits are never reduced because of Social Security. Members should contact the Social Security Administration for more information.

Health Insurance

The Teachers' Retirement Insurance Program (TRIP) administered by the Illinois Department of Central Management Services offers major medical and managed care coverage.

Enrollment in TRIP is open to:

- any TRS annuitant who has eight or more years of service credit and is receiving a monthly retirement benefit.
- any beneficiary who is receiving a survivor benefit on account of a deceased TRS member who had eight or more years of service credit.
- any TRS member who is receiving a disability benefit, regardless of the years of service credit.

The Teachers' Choice Health Plan (TCHP) is the major medical plan in which annuitants may enroll regardless of locale. Some annuitants may choose enrollment in a health maintenance organization (HMO). HMOs are located throughout Illinois and in neighboring counties in some surrounding states. The annuitant's place of residence determines HMO availability.

The subsidy payment is based on HMO availability. Annuitants enrolling in an HMO or residing in areas with no HMO accessibility receive a 75 percent premium subsidy. Annuitants who choose to enroll in the major medical plan that live in an HMO-accessible area receive a 50 percent premium subsidy.

Refunds

After a four-month waiting period, a member who terminates TRS-covered employment for any reason other than death or retirement may apply for a refund of retirement contributions. The refund does not include interest or contributions for survivor benefits. A member who receives a refund forfeits all rights to benefits from TRS. Receipt of the refund also cancels all service credit with TRS.

A member who has no dependent beneficiaries may apply for a refund of survivor benefit contributions when he or she applies for a retirement annuity or while receiving a retirement annuity. A member who receives a refund of survivor benefit contributions waives all rights to beneficiaries receiving survivor benefits. However, any remaining accumulated retirement contributions still remain payable to the beneficiaries upon the member's death.

Repayment of Refunds

After completing one year of teaching in a TRS-covered position or two years in a reciprocal system, a member may reinstate previously earned and refunded service credit by repaying the retirement contribution refund he or she received plus interest from the date of the refund to the date of repayment. The survivor benefit refund may be repaid only if the annuitant returns to active TRS service and earns at least one year of service credit.

Service Credit

A member is granted one year of service credit for 170 paid days but not more than one year of credit during any fiscal year ending June 30. Beginning in the summer of 2003, summer earnings became reportable to TRS on the same basis as employment during the regular school term.

Optional Service Credit

Members may purchase optional service credit by meeting certain requirements and making the required contribution to TRS. Optional service credit is available for:

- out-of-system teaching
- part-time teaching
- military service
- leave of absence and layoff
- substitute and homebound teaching
- service canceled by a refund
- absence prior to July 1, 1983, due to pregnancy or adoption
- private school teaching in Illinois (must apply by June 1, 2005)

Sick Leave

A member may receive up to two years of service credit at retirement for 340 or more unused and uncompensated sick leave days.

Member Services

Various methods are available for obtaining information about TRS benefits. A member may write, visit, e-mail, or call TRS. TRS also provides individual conferences, group meetings, exhibits at conferences and institutes, and telephone conferences. A 24-hour Forms Order Line [(800) 207-6948] is available to take

requests for forms and publications. The TRS Web site (trs.illinois.gov) is continuously being updated and expanded.

Confidentiality

TRS member information is confidential. Disclosure is limited to the member, to a third party (including attorneys) only with the member's written authorization, in response to a subpoena, for purposes connected with TRS's official responsibility, to other reciprocal systems, to CMS for annuitant health insurance purposes, and to the Social Security Administration for government pension offset determination and windfall elimination purposes. Information requests related to the divorce of a TRS member or annuitant should be directed to the TRS Counseling Services Department. Subpoenas should be directed to the TRS General Counsel's Office.

Administrative Review

Any member, beneficiary, annuitant, or employer may appeal a TRS staff disposition of a claim or interpretation of the Illinois Pension Code to the TRS Board of Trustees Claims Hearing Committee within six months of the staff disposition or interpretation. An appeal is initiated by sending a written request for an administrative review to the TRS executive director. Contact the TRS General Counsel's Office for further information about administrative reviews.

TRS Benefits Report

Each December, TRS members are mailed a TRS Benefits Report. The report details retirement contributions; beneficiary information; estimated benefits; sick leave days reported from former employers; 2.2 upgrade information; reciprocal, refunded and optional service; and a comprehensive earnings history.

Funding

Funding for TRS benefits comes from member contributions, contributions by TRS-covered employers, the State of Illinois, and investment income.

Member Contributions

Active TRS members are required to contribute 9 percent of their creditable earnings each year. This contribution is allocated as follows: 7.5 percent for retirement benefits, 0.5 percent for post-retirement increases, and 1 percent for survivor benefits.

Active members also make an additional contribution to help fund the Teachers' Health Insurance Security (THIS) Fund. The fund finances the Teachers' Retirement Insurance Program (TRIP), which is administered by the Department of Central Management Services. The member contribution rate for the year ending June 30, 2005, is 0.75 percent.

Members may also make elective contributions for optional service credit and the Early Retirement Option. They may also make elective contributions to upgrade service earned before July 1998 to the 2.2 benefit formula as described under "Benefits," subject to certain limitations.

Employer Contributions

TRS-covered employers make employer contributions for teachers paid with federal funds and for the employer's portion of the Early Retirement Option. Employers also contribute a percent of covered payroll toward the cost of the 2.2 formula change and to help fund the Teachers' Health Insurance Security (THIS) Fund. In addition, the State of Illinois makes employer contributions, as described below.

State Contributions

The state makes contributions to TRS to bring the funded ratio up to 90 percent by the end of fiscal year 2045. State contributions will gradually increase from fiscal year 1996 through fiscal year 2010. Following this 15-year ramp period, contributions will be based on a level percentage of payroll.

The TRS Board of Trustees annually certifies the state contribution requirement based on the method specified by statute. The amounts certified by the Board are not subject to budget negotiations. For fiscal year 2005, the state contribution is \$907 million.

In June 2003, the State of Illinois issued \$10 billion in pension obligation bonds (POBs). Some of the proceeds were used to cover costs related to the issuance of the POBs and state contributions due the five major state retirement systems for fiscal years 2003 and 2004. The remainder, \$7.317 billion, was allocated among the five systems to invest and to reduce their unfunded liabilities. The TRS share of the proceeds, \$4.330 billion, was received on July 2, 2003.

The law that provided for the POB issuance changed the way state funding requirements are calculated. Beginning in fiscal year 2005, appropriations are reduced by the debt service that the state owes on each system's share of the POB proceeds. The actuaries use a multi-step process to calculate contribution requirements that do not exceed certain maximums specified in the law. This will continue through fiscal year 2033, the last year that debt service is due.

Investment Income

The largest single source of funding comes from investment income earned on the assets held in trust by the TRS Board of Trustees. TRS uses 81 outside investment managers, a general consultant, and staff to invest the trust assets in accordance with investment guidelines established by the Board of Trustees and the fiduciary standards imposed by state law. For fiscal year 2004, the rate of return (net of fees) of the invested assets was 16.5 percent, resulting in \$4.486 billion net investment income.

The following table summarizes TRS's asset allocation, as assigned to each respective asset class, as of June 30, 2004:

Asset Class	% of Total Fund
U.S. Equities	48.1%
Fixed Income	23.9
International Equities	16.5
Real Estate Equity	8.5
Private Equity	2.7
Short-Term Investments	0.3
Total	100.0%

TRS net assets held in trust for pension benefits were \$31.545 billion as of June 30, 2004.

Funding Summary

Source of Funding	Fiscal Year 2004*	Fiscal Year 2003*
Member contributions	\$768.7	\$732.0
Employer contributions	\$127.6	\$91.6
State of Illinois	\$1,031.5	\$929.7
State of Illinois Pension Obligation Bond Proceeds	\$4,330.4	N/A
Investment Income	\$4,485.7	\$1,060.9
Total	\$10,743.8	\$2,814.1

**in millions.*

Totals may not add due to rounding.

Board of Trustees

An 11-member Board of Trustees is responsible for the administration of TRS. Trustees include the Illinois superintendent of education who serves in an ex-officio capacity; four trustees elected by

contributing TRS members; four trustees appointed by the governor; and two trustees elected by TRS annuitants.

Members of the Board of Trustees (as of February 1, 2005)

Name	Residence	Appointed/Elected	Term Began	Term Expires
Tony Abboud	Northbrook	Appointed	May 2004	July 2006
James Bruner	Jacksonville	Appointed	July 1993	July 2006
Jack Carriglio	Glenview	Appointed	May 2004	July 2006
Jan Cleveland	Carmi	Elected	July 1997	July 2005
Cinda Klickna	Rochester	Elected**	Feb. 2003	July 2007
Sharon Leggett	Evanston	Elected	July 1999	July 2007
Cynthia O'Neill	Carlyle	Elected	July 1999	July 2007
Molly Phalen	Rockford	Elected	July 1997	July 2005
Phillip Schmidt	Springfield	*	Aug. 2001	July 2005
Randy Dunn	Springfield	Ex-officio		Ex-officio

**Mr. Schmidt was appointed by the Board in August 2001 to fill a vacant elected position.*

*** Ms. Klickna was appointed by the Board in February 2003 to fill a vacant elected position. Her elected term began on July 15, 2003.*

The Board of Trustees appoints an executive director who also serves as the secretary of the Board of Trustees. The executive director is responsible for TRS day-to-day operations.

Correspondence to the Board of Trustees

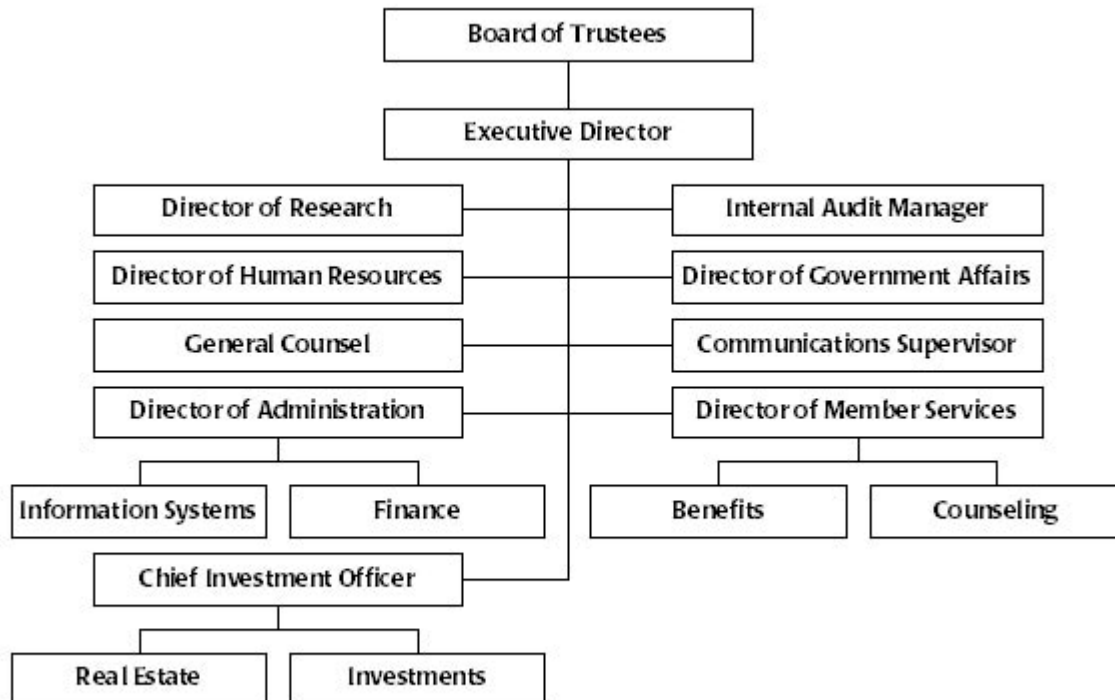
All correspondence to the Board of Trustees or its members should be directed to: Board of Trustees of the Teachers' Retirement System, 2815 West Washington Street, P.O. Box 19253, Springfield, Illinois 62794-9253.

Administration

Under the direction of the executive director, the Teachers' Retirement System employs a staff of 176 as of June 30, 2004. The staff is located in two facili-

ties. The main office is in Springfield, Illinois. The northeastern Illinois regional office is in Lisle.

Organizational Chart



Administration as of February 1, 2005

Jon Bauman	Executive Director
Ed Mabie	Information Systems Officer
Terry Viar	Director of Member Services
Todd Kennedy	Director of Administration
Nick Yelverton	Director of Government Affairs
Stacy Smith	Internal Audit Manager
Tom Gray	General Counsel
Stan Rupnik	Chief Investment Officer
Kathy Pearce	Communications Supervisor
Kathleen Farney	Director of Research
Gina Larkin	Director of Human Resources

Administrative Budget

The TRS administrative budget for fiscal year 2005 is \$16.9 million. This amount represents approximately 0.05 percent of the value of TRS net assets

at market value on June 30, 2004. This amount is less than 1 percent of total estimated expenditures for fiscal year 2005.

	Fiscal Year 2004 (in thousands)	Fiscal Year 2003 (in thousands)
Net assets	\$31,544,729	23,124,823
Accrued liability	50,947,451	46,933,432
Unfunded liability	19,402,722	23,808,609
Funded ratio (assets/accrued liability)	61.9%	49.3%
Total return	16.5%	4.9%

Additional Information

Requests for Information (FOIA)

TRS is subject to the Illinois Freedom of Information Act (FOIA) [5 ILCS 140]. TRS administrative rules set forth the procedures for submitting information requests to TRS. See 80 Illinois Administrative Code Sections 1650.910 – 1650.995.

All requests for information must be in writing and sent to:

General Counsel's Office
Teachers' Retirement System
of the State of Illinois
2815 West Washington Street
P.O. Box 19253
Springfield, Illinois 62794-9253

Copies of public records are provided at a charge of 25¢ per page. Certified copies are available for \$1 per certification. Please contact the TRS General Counsel's Office for more information.

TRS Publications

The following publications, among many others, are available on the TRS Web site (trs.illinois.gov).

Title	Audience	Frequency
<i>Comprehensive Annual Financial Report</i>	Board of Trustees State agencies TRS employers General Assembly Employee/annuitant groups Individual requests	Compiled and mailed annually
<i>Employer Guide</i>	TRS employers	Revised and mailed annually
<i>Member Guide</i>	TRS members and annuitants Individual requests	Revised as needed
<i>QILDRO: Information and Forms for TRS Members in Divorce Proceedings</i>	TRS members, spouses, and attorneys	Revised as needed
<i>Topics & Report</i>	TRS members, annuitants, and beneficiaries	Produced three times per year
<i>Essential Facts about TRS Public Information Summary</i>	General public	Revised annually, posted at TRS offices, and provided upon request